ABSTRACT

On determining investment decision in banks sector, investor must pay attention to the risk that each banks faced. One of the biggest risks in banking sector company is credit risk, which can be influenced by several factors such as macroeconomic, the maturity of the company's capital, and the independence of the company's top-level managers.

In 2021 the Financial Services Authority issued a new bank grouping policy with the designation Bank Group Based on Core Capital (KBMI). The issuance of this new policy intends to increase the competitiveness of the banking industry sector in Indonesia post-covid-19 by increasing the minimum limit for core capital ownership to IDR 3 billion.

This research was conducted to examine the effect of inflation, BI7DRR, capital adequacy ratio, and nepotism on non-performing loans in KBMI 3 and KBMI 4 banking industry companies in 2019-2021. The population in this study are bank sub-sector companies registered by OJK from 2019 to 2021. The purposive sampling method was used as a research sampling method and 180 research samples were obtained from 15 bank sub-sector companies. The hypothesis testing method in this study uses panel data regression analysis with a fixed effect approach.

The results of this study indicate that simultaneously inflation, BI7DRR, capital adequacy ratio, and nepotism have an effect on non-performing loans. While partially only the BI7DRR factor has a positive effect on non-performing loans and the inflation factor, capital adequacy ratio and nepotism have no effect on non-performing loans.

Suggestions from this study are to add insight and references related to non-performing loans also the factors that influence them. In addition, management, investors and regulators need to pay attention to the BI7DRR level because based on this research the BI7DRR level has a positive effect on non-performing loans.

Keyword : Banks, BI7DRR, Capital Adequacy Ratio, Inflation, Non-performing Loan, and Nepotism